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Message Text

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60
ACTION EB-06

INFO OCT-01 ARA-06 ISO-00 NSA-01 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-05 RSC-01 FAA-00 L-02 /024 W
---------- 097048
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FM AMEMBASSY LIMA
TO SECSTATE WASHDC 2711

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E.O. 11652: N/A
TAGS: EAIR, PE
SUBJECT: CIVAIR CONSULTATIONS

REF: LIMA 9523

1. AT SECOND MEETING TUESDAY MORNING, GOP DEL SAID THEY WERE PLEASED TO SEE CAB AGREED WITH PERU THAT SCHEDULES SHOULD BE SUBJECT TO APPROVAL. OTHERWISE, THERE WAS NO COMMENT ON PART 213 ORDER. USDEL NOTED THAT U.S. DID NOT SHARE THIS VIEW AND THAT ORDER EXPLICITLY STATED THAT ACTION TAKEN BECAUSE GOP HAD VIOLATED AGREEMENT.

2. MOST OF SESSION WAS REHASH OF VIEWS OF BOTH SIDES RE INTERPRETATION OF AGREEMENT. USDEL EVENTUALLY SUGGESTED THAT THIS BASIC ISSUE BE PUT ASIDE AND THAT DELEGATION EXPLORE WHETHER THERE WERE OTHER AVENUES TO SOLUTION. GOP DEL ASKED US TO MAKE PROPOSAL. WE SAID WE WOULD CONSIDER IF GOP DEL WAS PREPARED TO MAKE PROPOSALS. WHEN TOLD ONLY PROPOSAL GOP HAD WAS ACCEPTANCE OF OCTOBER 28 PERMIT ISSUED TO BRANIFF, USDEL SAID NO SOLUTION WAS POSSIBLE. GOP DEL STATED IT WAS NOT INTERESTED AT THIS TIME IN ANY EXPANSION OF PERU ROUTES TO U.S. BOTH DELS EVENTUALLY AGREED TO CONSIDER OVERNIGHT POSSIBILITY OF NEW PROPOSALS.

3. AT THE THIRD MEETING WEDNESDAY, USDEL BROKE PROBLEM DOWN INTO SHORT AND LONG-TERM ISSUES. RE LATTER, WE SUGGESTED
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ARBITRATION. GOP DEL SUGGESTED DOING NOTHING, ARBITRATION OR

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DENUNCIATION. WE QUICKLY MOVED TO SHORT-TERM ISSUE AND AND SUGGESTED SOME MODUS VIVENDI DESIGNED TAKE INTO ACCOUNT PRACTICAL SHORT-TERM INTERESTS BOTH SIDES, WITHOUT PREJUDICE TO QUESTIONS OF PRINCIPLE ARISING FROM DIFFERENT INTERPRETATIONS OF AGREEMENT. SPECIFICALLY, USDEL SUGGESTED:

A. NO RESTRICTIONS ON FREQUENCIES, ETC., IN ALL U.S.-PERU MARKETS.

B. NO RESTRICTIONS ON FREQUENCIES IN NON-COMPETITIVE U.S. AND PERU THIRD COUNTRY MARKETS.

C. NO RESTRICTIONS ON FREQUENCIES IN COMPETITIVE U.S. AND PERU THIRD COUNTRY MARKETS, BUT COMPENSATING BENEFITS GRANTED TO PERU IF NET DIFFERENTIAL IN THESE MARKETS WERE IN FAVOR OF U.S. WE SUGGESTED MEASURE SHOULD BE NUMBER OF FLIGHTS IN EACH MARKET, WEIGHTED BY WHETHER NON-STOP, ONE STOP, ETC. WE SHOWED THAT NET DIFFERENTIAL IN THE SIX EXISTING COMPETITIVE MARKETS WAS NOW SLIGHTLY IN PERU'S FAVOR, BUT COULD CHANGE IF BRANIFF OPERATING MORE FREQUENCIES. MARKETS WE LISTED WERE MIAMI-GUAYAQUIL, GUAYAQUIL-LIMA, LIMA-SANTIAGO, LIMA-BUENOS AIRES, MIAMI-SANTIAGO, AND MIAMI-BUENOS AIRES.

4. GOP DEL SAID COULD NOT ACCEPT LACK OF RESTRICTIONS ON MIAMI-LIMA AND EVEN FELT THAT CONCEPT OF COMPENSATING BENEFITS SHOULD BE APPLIED ON NON-COMPETITIVE THIRD COUNTRY MARKETS. IT EXPRESSED INTEREST IN APPROACH IN PARA 3(C) ABOVE, AND PRODDED ENDLESSLY WHAT USDEL MEANT BY "COMPENSATING BENEFITS", OBVIOUSLY HOPING WE WOULD SAY WE MEANT THE 20 PERCENT TAX. WE STUDIOUSLY AVOIDED GIVING THIS ANSWER, SAYING THAT FORM OF COMPENSATION WOULD HAVE TO BE LEFT OPEN FOR THE MOMENT.

5. CONSULTATIONS RESUME THURSDAY MORNING AFTER GOP REVIEWS OUR PROPOSAL FURTHER.

6. COMMENT: WE HAVE LITTLE EXPECTATION ANY FIRM AGREEMENT CAN BE REACHED, BUT HOPE AT LEAST TO LEAVE THINGS IN POSTURE THAT FURTHER STUDY REQUIRED ON BOTH SIDES, FURTHER CONSULTATIONS WILL BE HELD, AND IN MEANTIME GOP WILL EXTEND 45-DAY DEADLINE ON LIMITED OFFICIAL USE

IMPLEMENTING OCTOBER 28 PERMIT RESTRICTIONS. WE DO NOT HAVE FULL CONFIDENCE THAT EVEN THIS OBJECTIVE CAN BE ACHIEVED.
DEAN

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